



8011-01P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-84396; File No. SR-NYSEARCA-2018-70]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Listing and Trading of Shares of the iShares iBond Dec 2026 Term Muni Bond ETF Under Commentary .02 to NYSE Arca Rule 5.2-E(j)(3)

October 10, 2018

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 (the “Act”)² and Rule 19b-4 thereunder,³ notice is hereby given that, on September 26, 2018, NYSE Arca, Inc. (the “Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to list and trade shares of the iShares iBond Dec 2026 Term Muni Bond ETF (the “Fund”) pursuant to NYSE Arca Rule 5.2-E(j)(3), Commentary .02. The proposed rule change is available on the Exchange’s website at www.nyse.com, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it

¹ 15 U.S.C.78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to list and trade shares ("Shares") of the Fund under Commentary .02 to NYSE Arca Rule 5.2-E(j)(3), which governs the listing and trading of Investment Company Units ("Units")⁴ based on fixed income securities indexes.⁵ As discussed below, the Exchange is submitting this proposed rule change because the "Index" (as defined below) does not meet all of the "generic" listing requirements of Commentary .02 to NYSE Arca

⁴ An open-end investment company that issues Units, listed and traded on the Exchange under NYSE Arca Rule 5.2-E(j)(3), seeks to provide investment results that correspond generally to the price and yield performance of a specific foreign or domestic stock index, fixed income securities index or combination thereof.

⁵ The Commission previously has approved proposed rule changes relating to listing and trading of funds based on municipal bond indexes. See, e.g., Securities Exchange Act Release Nos. 67985 (October 4, 2012), 77 FR 61804 (October 11, 2012) (SR-NYSEArca-2012-92) (order approving proposed rule change to list and trade the iShares 2018 S&P AMT-Free Municipal Series and iShares 2019 S&P AMT-Free Municipal Series under NYSE Arca Rule 5.2(j)(3), Commentary .02) ("iShares 2018/2019 Order"); 72523 (July 2, 2014), 79 FR 39016 (July 9, 2014) (SR-NYSEArca-2014-37) (order approving proposed rule change to list and trade iShares 2020 S&P AMT-Free Municipal Series under NYSE Arca Rule 5.2(j)(3), Commentary .02) ("iShares 2020 Order"); and 75468 (July 16, 2015), 80 FR 43500 (July 22, 2015) (SR-NYSEArca-2015-25) (order approving proposed rule change to list and trade the iShares iBonds Dec 2021 AMT-Free Muni Bond ETF and iShares iBonds Dec 2022 AMT-Free Muni Bond ETF under NYSE Arca Rule 5.2(j)(3), Commentary .02) ("iShares 2021/2022 Order" and, together with the iShares 2018/2019 Order and the iShares 2020 Order, the "iShares Orders"); 82295 (December 12, 2017), 82 FR 60056 (December 18, 2017) (SR-NYSEArca-2017-56) (Notice of Filing of Amendment No. 3 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 3, to List and Trade Shares of Twelve Series of Investment Company Units Pursuant to NYSE Arca Rule 5.2-E(j)(3)).

Rule 5.2-E(j)(3) applicable to the listing of Units based on fixed income securities indexes. The Index meets all such requirements except for those set forth in Commentary .02(a)(2).⁶

Description of the Shares and the Fund

The Fund is a series of the iShares Trust (the “Trust”).⁷ Blackrock Fund Advisors (“BFA”) will be the investment advisor for the Fund.⁸ State Street Bank and Trust Company will serve as the custodian, administrator, and transfer agent for the Fund. Blackrock Investments, LLC will act as the distributor for the Fund’s Shares.

⁶ Commentary .02(a)(2) provides that Fixed Income Security components that in aggregate account for at least 75% of the Fixed Income Securities portion of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

⁷ The Trust is registered under the Investment Company Act of 1940 (15 U.S.C. 80a) (“1940 Act”). On June 29, 2018, the Trust filed with the Commission its registration statement on Form N-1A under the Securities Act of 1933 (15 U.S.C. 77a), and under the 1940 Act relating to the Fund (File Nos. 333-92935 and 811-09729) (“Registration Statement”). The description of the operation of the Trust and the Fund herein is based, in part, on the Registration Statement. In addition, the Commission has issued an order granting certain exemptive relief to the Trust under the 1940 Act. See Investment Company Act Release No. 27661, (January 17, 2007) (File No. 812-13208).

⁸ An investment adviser to an open-end fund is required to be registered under the Investment Advisers Act of 1940 (the “Advisers Act”). As a result, BFA and its related personnel are subject to the provisions of Rule 204A-1 under the Advisers Act relating to codes of ethics. This Rule requires investment advisers to adopt a code of ethics that reflects the fiduciary nature of the relationship to clients as well as compliance with other applicable securities laws. Accordingly, procedures designed to prevent the communication and misuse of non-public information by an investment adviser must be consistent with Rule 204A-1 under the Advisers Act. In addition, Rule 206(4)-7 under the Advisers Act makes it unlawful for an investment adviser to provide investment advice to clients unless such investment adviser has (i) adopted and implemented written policies and procedures reasonably designed to prevent violation, by the investment adviser and its supervised persons, of the Advisers Act and the Commission rules adopted thereunder; (ii) implemented, at a minimum, an annual review regarding the adequacy of the policies and procedures established pursuant to subparagraph (i) above and the effectiveness of their implementation; and (iii) designated an individual (who is a supervised person) responsible for administering the policies and procedures adopted under subparagraph (i) above.

S&P AMT-Free Municipal Series Dec 2026 IndexTM

According to the Registration Statement, the investment objective of the Fund is to track the investment results of an index composed of investment-grade U.S. municipal bonds maturing after December 31, 2025 and before December 2, 2026. Specifically, the Fund will seek to track the investment results (before fees and expenses) of the S&P AMT-Free Municipal Series December 2026 IndexTM (the “2026 Index”), which measures the performance of investment-grade, non-callable U.S. municipal bonds maturing in 2026.⁹ As of July 13, 2018, there were 3,331 issues in the 2026 Index.

The 2026 Index includes municipal bonds primarily from issuers that are state or local governments or agencies such that the interest on the bonds is exempt from U.S. federal income taxes. Each bond must have, inter alia, a minimum maturity par amount of \$2 million to be eligible for inclusion in the 2026 Index. To remain in the 2026 Index, bonds must maintain a minimum par amount greater than or equal to \$2 million, and must not be subject to the federal alternative minimum tax (“AMT”) as of each rebalancing date. All bonds in the 2026 Index will mature after December 31, 2025 and before December 2, 2026. Bonds in the 2026 Index that mature or are pre-refunded in their respective year of maturity do not accrue interest past the maturity or pre-refund date. All payments related to the maturity or pre-refunding of a bond are reinvested in tax-exempt cash or cash equivalents for the duration of each month.

⁹ The 2026 Index is a product of S&P Dow Jones Indices LLC (the “Index Provider”), which is independent of the Fund and BFA. The Index Provider determines the composition and relative weightings of the securities in the 2026 Index and publishes information regarding the market value of the 2026 Index. The Index Provider is not a broker-dealer or affiliated with a broker-dealer and has implemented procedures designed to prevent the use and dissemination of material, non-public information regarding the 2026 Index.

The Fund will generally invest, under normal market conditions,¹⁰ at least 90% of its assets in component securities of the 2026 Index, except during the last months of the Fund's operations, as described below. From time to time when conditions warrant, however, the Fund may invest, under normal market conditions, at least 80% of its assets in the component securities of the 2026 Index.

The Fund may invest the remainder of its assets in interest rate futures, interest rate options, interest rate swaps,¹¹ cash and cash equivalents (including shares of money market funds affiliated with BFA), as well as in municipal securities not included in the 2026 Index, but which BFA believes will help the Fund track the 2026 Index. The Fund will generally hold municipal securities issued by state and local municipalities whose interest payments are exempt from U.S. federal income tax, the federal AMT and the federal Medicare contribution tax. In the last months of operation, as the bonds held by the Fund mature, the proceeds will not be reinvested in bonds but instead will be held in cash and cash equivalents, including, without limitation, shares of money market funds affiliated with BFA, AMT-free tax-exempt municipal notes, variable rate demand notes and obligations, tender option bonds and municipal commercial paper. These cash equivalents may not be included in the 2026 Index. Around December 2, 2026, the Fund will wind up and terminate, and its net assets will be distributed to then current shareholders.

¹⁰ The term "under normal market conditions" as used herein includes, but is not limited to, the absence of adverse market, economic, political or other conditions, including extreme volatility or trading halts in the fixed income markets or the financial markets generally; operational issues (such as systems failure) causing dissemination of inaccurate market information; or force majeure type events, natural or man-made disaster, act of God, armed conflict, act of terrorism, riot or labor disruption or any similar intervening circumstance.

¹¹ The interest rate futures, interest rate options, and interest rate swaps will be centrally cleared and they will be collateralized.

For informational purposes, as of April 30, 2018, 76.30% of the weight of the 2026 Index components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, the total dollar amount outstanding of issues in the 2026 Index was approximately \$30.8 billion, the total market value of issues in the 2026 Index was \$35.2 billion, and the average dollar amount outstanding of issues in the 2026 Index was approximately \$10,579,000. Further, the most heavily weighted component represented 1.36% of the weight of the 2026 Index and the five most heavily weighted components represented 4.24% of the weight of the 2026 Index.¹² Therefore, the Exchange believes that, notwithstanding that the 2026 Index does not satisfy the criterion in NYSE Arca Rule 5.2-E(j)(3), Commentary .02 (a)(2), the 2026 Index is sufficiently broad-based to deter potential manipulation, given that it is comprised of approximately 3,331 issues.

The Exchange is submitting this proposed rule change because the 2026 Index for the Fund does not meet all of the “generic” listing requirements of Commentary .02(a) to NYSE Arca Rule 5.2-E(j)(3) applicable to the listing of Units based on fixed income securities indexes. The 2026 Index meets all such requirements except for those set forth in Commentary .02(a)(2).¹³ Specifically, as of April 30, 2018, 9.43% of the weight of the 2026 Index components have a minimum original principal amount outstanding of \$100 million or more.

Requirement for Index Constituents

¹² Commentary .02(a)(4) to NYSE Arca Rule 5.2-E(j)(3) provides that no component fixed-income security (excluding Treasury Securities and GSE Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

¹³ Commentary .02(a)(2) to NYSE Arca Rule 5.2-E(j)(3) provides that components that in the aggregate account for at least 75% of the weight of the index or portfolio each shall have a minimum original principal amount outstanding of \$100 million or more.

On a continuous basis, (1) the Index will contain at least 500 components; and (2) each of the components of the Index will have an outstanding par value of at least \$2 million.

The Exchange notes that, in the iShares Orders, the Commission approved Exchange listing and trading of Units for which each bond in the applicable underlying index must have a minimum maturity par amount of \$2 million to be eligible for inclusion in such index, and each such index included at least 500 components.¹⁴

In addition, the Exchange represents that: (1) except for Commentary .02(a)(2) to Rule 5.2-E(j)(3), the 2026 Index currently satisfies all of the generic listing standards under NYSE Arca Rule 5.2-E(j)(3); (2) the continued listing standards under Commentary .02 to NYSE Arca Rule 5.2-E(j)(3), as applicable to Units based on fixed income securities, will apply to the Shares of the Fund; and (3) the issuer of the Fund is required to comply with Rule 10A-3¹⁵ under the Act for the initial and continued listing of the Shares. The Exchange represents that the Fund will comply with all other requirements applicable to Units, including, but not limited to, requirements relating to the dissemination of key information such as the value of the Index and the Intraday Indicative Value (“IIV”),¹⁶ rules governing the trading of equity securities, trading hours, trading halts, surveillance, information barriers and the Information Bulletin, as set forth

¹⁴ See note 5, *supra*.

¹⁵ 17 CFR 240.10A-3.

¹⁶ The IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange’s Core Trading Session (normally, 9:30 a.m. to 4:00 p.m., E.T.). Currently, it is the Exchange’s understanding that several major market data vendors display and/or make widely available IIV taken from CTA or other data feeds.

in the Exchange rules applicable to Units and prior Commission orders approving the generic listing rules applicable to the listing and trading of Units.¹⁷

Additional Information

The current value of the Index will be widely disseminated by one or more major market data vendors at least once per day, as required by Commentary .02(b)(ii) to NYSE Arca Rule 5.2-E(j)(3). The portfolio of securities held by the Fund will be disclosed daily on the Fund's website www.iShares.com.

Creation and Redemption of Shares

According to the Registration Statement, the Fund will issue and redeem Shares on a continuous basis at the net asset value per Share ("NAV") only in a large specified number of Shares called a "Creation Unit", or multiples thereof, with each Creation Unit consisting of 50,000 Shares, provided, however, that from time to time the Fund may change the number of Shares (or multiples thereof) required for each Creation Unit if the Fund determines such a change would be in the best interests of the Fund.

The consideration for purchase of Creation Units of the Fund generally will consist of the in-kind deposit of a designated portfolio of securities (including any portion of such securities for which cash may be substituted), which constitutes a representative sample of the securities of the 2026 Index¹⁸ (the "Deposit Securities") and a cash component (the "Cash Component")

¹⁷ See, e.g., Securities Exchange Act Release Nos. 55783 (May 17, 2007), 72 FR 29194 (May 24, 2007) (SR-NYSEArca-2007-36) (order approving NYSE Arca generic listing standards for Units based on a fixed income index); 44551 (July 12, 2001), 66 FR 37716 (July 19, 2001) (SR-PCX-2001-14) (order approving generic listing standards for Units and Portfolio Depositary Receipts); 41983 (October 6, 1999), 64 FR 56008 (October 15, 1999) (SR-PCX-98-29) (order approving rules for listing and trading of Units).

¹⁸ According to the Registration Statement, "representative sampling" is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to the 2026 Index. The securities selected are expected

computed as described below. Together, the Deposit Securities and the Cash Component constitute the “Fund Deposit,” which represents the minimum initial and subsequent investment amount for a Creation Unit of the Fund.

The portfolio of securities required for purchase of a Creation Unit may not be identical to the portfolio of securities the Fund will deliver upon redemption of the Fund’s Shares. The Deposit Securities and Fund Securities (as defined below), as the case may be, in connection with a purchase or redemption of a Creation Unit, generally will correspond pro rata, to the extent practicable, to the securities held by the Fund. As the planned termination date of the Fund approaches, and particularly as the bonds held by the Fund begin to mature, the Fund would expect to effect both creations and redemptions increasingly for cash.

The Cash Component will be an amount equal to the difference between the NAV of the Shares (per Creation Unit) and the “Deposit Amount,” which will be an amount equal to the market value of the Deposit Securities, and serve to compensate for any differences between the NAV per Creation Unit and the Deposit Amount. The Fund currently will offer Creation Units for in-kind deposits but reserves the right to utilize a “cash” option in lieu of some or all of the applicable Deposit Securities for creation of Shares.

BFA will make available through the National Securities Clearing Corporation (“NSCC”) on each business day, prior to the opening of business on the Exchange, the list of names and the required number or par value of each Deposit Security and the amount of the Cash Component to

to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability, duration, maturity or credit ratings and yield) and liquidity measures similar to those of the Index. The Fund may or may not hold all of the securities in the 2026 Index.

be included in the current Fund Deposit (based on information as of the end of the previous business day) for the Fund.

The identity and number or par value of the Deposit Securities change pursuant to changes in the composition of the Fund's portfolio and as rebalancing adjustments and corporate action events are reflected from time to time by BFA with a view to the investment objective of the Fund. The composition of the Deposit Securities may also change in response to adjustments to the weighting or composition of the component securities constituting the 2026 Index.

The Fund reserves the right to permit or require the substitution of a "cash in lieu" amount to be added to the Cash Component to replace any Deposit Security that may not be available in sufficient quantity for delivery or that may not be eligible for transfer through the Depository Trust Company ("DTC") or the clearing process through the Continuous Net Settlement System of the NSCC or that the Authorized Participant is not able to trade due to a trading restriction.

Creation Units may be purchased only by or through a DTC participant that has entered into an "Authorized Participant Agreement" (as described in the Registration Statement) with the Distributor (an "Authorized Participant"). All creation orders must be placed for one or more Creation Units and must be received by the Distributor in proper form no later than the closing time of the regular trading session of the Exchange (normally 4:00 p.m., Eastern time ("E.T.)) in each case on the date such order is placed in order for creation of Creation Units to be effected based on the NAV of Shares of the Fund as next determined on such date after receipt of the order in proper form.

Shares of the Fund may be redeemed only in Creation Units at the NAV next determined after receipt of a redemption request in proper form by the Distributor and only on a business

day. BFA will make available through the NSCC, prior to the opening of business on the Exchange on each business day, the designated portfolio of securities (including any portion of such securities for which cash may be substituted) that will be applicable (subject to possible amendment or correction) to redemption requests received in proper form on that day (the “Fund Securities”). Fund Securities received on redemption may not be identical to Deposit Securities that are applicable to creations of Creation Units.

Unless cash redemptions are available or specified for the Fund, the redemption proceeds for a Creation Unit generally will consist of a specified amount of cash, Fund Securities, plus additional cash in an amount equal to the difference between the NAV of the Shares being redeemed, as next determined after the receipt of a request in proper form, and the value of the specified amount of cash and Fund Securities, less a redemption transaction fee. The Fund currently will redeem Shares for Fund Securities, but reserves the right to utilize a “cash” option for redemption of Shares.

Redemption requests for Creation Units of the Fund must be submitted to the Distributor by or through an Authorized Participant no later than 4:00 p.m. E.T. on any business day, in order to receive that day’s NAV. The Authorized Participant must transmit the request for redemption in the form required by the Fund to the Distributor in accordance with procedures set forth in the Authorized Participant Agreement.

Availability of Information

On each business day, the Fund will disclose on its website (www.iShares.com) the portfolio that will form the basis for the Fund’s calculation of NAV at the end of the business day.

On a daily basis, the Fund will disclose for each portfolio security or other financial instrument of the Fund the following information on the Fund's website: ticker symbol (if applicable), name of security and financial instrument, a common identifier such as CUSIP or ISIN (if applicable), number of shares (if applicable), and dollar value of securities and financial instruments held in the portfolio, and percentage weighting of the security and financial instrument in the portfolio. The website information will be publicly available at no charge. The current value of the Index will be widely disseminated by one or more major market data vendors at least once per day, as required by NYSE Arca Rule 5.2-E(j)(3), Commentary .02 (b)(ii).

The IIV for Shares of the Fund will be disseminated by one or more major market data vendors, updated at least every 15 seconds during the Exchange's Core Trading Session, as required by NYSE Arca Rule 5.2-E(j)(3), Commentary .02(c). The current value of the Index would be widely disseminated by one or more major market data vendors at least once per day, as required by NYSE Arca Rule 5.2-(j)(3), Commentary .02 (b)(ii). In addition, the portfolio of securities held by the Fund will be disclosed daily on the Fund's website.

Investors can also obtain the Trust's Statement of Additional Information ("SAI"), the Fund's Shareholder Reports, and its Form N-CSR and Form N-SAR, filed twice a year. The Trust's SAI and Shareholder Reports are available free upon request from the Trust, and those documents and the Form N-CSR and Form N-SAR may be viewed on-screen or downloaded from the Commission's website at www.sec.gov. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services. Information regarding the

previous day's closing price and trading volume information for the Shares will be published daily in the financial section of newspapers.

Quotation and last sale information for the Shares of the Fund will be available via the Consolidated Tape Association ("CTA") high speed line. Quotation information for investment company securities may be obtained through nationally recognized pricing services through subscription agreements or from brokers and dealers who make markets in such securities. Price information regarding municipal bonds is available from third party pricing services and major market data vendors. Trade price and other information relating to municipal bonds is available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system.

Quotation information for OTC swaps agreements may be obtained from brokers and dealers who make markets in such instruments. Quotation information for exchange-traded swaps, futures and options will be available from the applicable exchange and/or major market vendors.

Surveillance

The Exchange represents that trading in the Shares of the Fund will be subject to the existing trading surveillances, administered by the Financial Industry Regulatory Authority ("FINRA") on behalf of the Exchange, or by regulatory staff of the Exchange, which are designed to detect violations of Exchange rules and applicable federal securities laws. The Exchange represents that these procedures are adequate to properly monitor Exchange trading of

the Shares of the Fund in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.¹⁹

The surveillances referred to above generally focus on detecting securities trading outside their normal patterns, which could be indicative of manipulative or other violative activity. When such situations are detected, surveillance analysis follows and investigations are opened, where appropriate, to review the behavior of all relevant parties for all relevant trading violations.

The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding trading in the Shares, certain futures and certain options with other markets and other entities that are members of the Intermarket Surveillance Group (“ISG”), and the Exchange or FINRA, on behalf of the Exchange, or both, may obtain trading information regarding trading in the Shares, certain futures and certain options from such markets and other entities. In addition, the Exchange may obtain information regarding trading in the Shares, certain futures and certain options from markets and other entities that are members of ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. FINRA also can access data obtained from the Municipal Securities Rulemaking Board relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares.

The Exchange represents that at least 90% of the weight of Fund holdings invested in exchange-traded futures contracts and exchange-traded options will be traded on an exchange that is a member of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

¹⁹ FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA’s performance under this regulatory services agreement.

2. Statutory Basis

The Exchange believes that the proposal is consistent with Section 6(b) of the Act²⁰ in general and Section 6(b)(5) of the Act²¹ in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is designed to prevent fraudulent and manipulative acts and practices in that the Shares of the Fund will be listed and traded on the Exchange pursuant to the initial and continued listing criteria in NYSE Arca Rule 5.2-E(j)(3), except for the requirement in Commentary .02(a)(2) that the component fixed income securities, in the aggregate, account for at least 75% of the weight of the index each shall have a minimum principal amount outstanding of \$100 million or more. The Exchange represents that trading in the Shares will be subject to the existing trading surveillances administered by the Exchange as well as cross-market surveillances administered by FINRA on behalf of the Exchange, which are designed to detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange.²² The Exchange represents that these procedures are adequate to properly monitor Exchange trading of the Shares in all trading sessions and to deter and detect violations of Exchange rules and federal securities laws applicable to trading on the Exchange. The Exchange or FINRA, on behalf of the Exchange, or both, will communicate as needed regarding

²⁰ 15 U.S.C. 78f.

²¹ 15 U.S.C. 78f(b)(5).

²² FINRA conducts cross-market surveillances on behalf of the Exchange pursuant to a regulatory services agreement. The Exchange is responsible for FINRA's performance under this regulatory services agreement.

trading in the Shares, certain futures and certain options with other markets that are members of the ISG. In addition, the Exchange will communicate as needed regarding trading in the Shares, certain futures and certain options with other markets that are members of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement. FINRA also can access data obtained from the Municipal Securities Rulemaking Board relating to municipal bond trading activity for surveillance purposes in connection with trading in the Shares of the Fund. At least 90% of the weight of Fund holdings invested in exchange-traded futures contracts and exchange-traded options will be traded on an exchange that is a member of the ISG or with which the Exchange has in place a comprehensive surveillance sharing agreement.

As discussed above, the Exchange believes that the Index is sufficiently broad-based to deter potential manipulation. For informational purposes, as of April 30, 2018, 76.30% of the weight of the 2026 Index components was comprised of individual maturities that were part of an entire municipal bond offering with a minimum original principal amount outstanding of \$100 million or more for all maturities of the offering. In addition, the total dollar amount outstanding of issues in the 2026 Index was approximately \$30.8 billion, the total market value of issues in the 2026 Index was \$35.2 billion, and the average dollar amount outstanding of issues in the 2026 Index was approximately \$10,579,000. Further, the most heavily weighted component represented 1.36% of the weight of the 2026 Index and the five most heavily weighted components represented 4.24% of the weight of the 2026 Index.²³ Therefore, the Exchange believes that, notwithstanding that the 2026 Index does not satisfy the criterion in NYSE Arca

²³ Commentary .02(a)(4) to NYSE Arca Rule 5.2-E(j)(3) provides that no component fixed-income security (excluding Treasury Securities and GSE Securities, as defined therein) shall represent more than 30% of the weight of the index or portfolio, and the five most heavily weighted component fixed-income securities in the index or portfolio shall not in the aggregate account for more than 65% of the weight of the index or portfolio.

Rule 5.2-E(j)(3), Commentary .02 (a)(2), the 2026 Index is sufficiently broad-based to deter potential manipulation, given that it is comprised of approximately 3,331 issues.

On a continuous basis, (1) the Index will contain at least 500 components; and (2) each of the components of the Index will have an outstanding par value of at least \$2 million. As noted above, in the iShares Orders, the Commission approved Exchange listing and trading of Units for which each bond in the applicable underlying index must have a minimum maturity par amount of \$2 million to be eligible for inclusion in such index, and each such index included at least 500 components.²⁴ In each of the iShares Orders, the Commission stated that the applicable index was sufficiently broad-based and liquid to deter potential manipulation.²⁵

The proposed rule change is designed to promote just and equitable principles of trade and to protect investors and the public interest in that a large amount of information will be publicly available regarding the Fund and the Shares, thereby promoting market transparency. The Fund's portfolio holdings will be disclosed on the Fund's website daily after the close of trading on the Exchange. Moreover, the IIV will be widely disseminated by one or more major market data vendors at least every 15 seconds during the Exchange's Core Trading Session. The current value of the Index will be disseminated by one or more major market data vendors at least once per day. Information regarding market price and trading volume of the Shares will be continually available on a real-time basis throughout the day on brokers' computer screens and other electronic services, and quotation and last sale information will be available via the CTA high-speed line. The website for the Fund will include the prospectus for the Fund and additional data relating to NAV and other applicable quantitative information. Moreover, prior

²⁴ See note 5, supra.

²⁵ See the iShares Orders, note 5, supra.

to the commencement of trading, the Exchange will inform its ETP Holders in an Information Bulletin of the special characteristics and risks associated with trading the Shares.

If the Exchange becomes aware that the NAV is not being disseminated to all market participants at the same time, it will halt trading in the Shares until such time as the NAV is available to all market participants. With respect to trading halts, the Exchange may consider all relevant factors in exercising its discretion to halt or suspend trading in the Shares of the Fund. Trading also may be halted because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable. If the IIV or the Index value is not being disseminated as required, the Exchange may halt trading during the day in which the interruption to the dissemination of the IIV or Index value occurs. If the interruption to the dissemination of the IIV or Index value persists past the trading day in which it occurred, the Exchange will halt trading. Trading in Shares of the Fund will be halted if the circuit breaker parameters in NYSE Arca Rule 7.12-E have been reached or because of market conditions or for reasons that, in the view of the Exchange, make trading in the Shares inadvisable, and trading in the Shares will be subject to NYSE Arca Rule 7.34-E, which sets forth circumstances under which Shares of the Fund may be halted. In addition, investors will have ready access to information regarding the IIV, and quotation and last sale information for the Shares.

The proposed rule change is designed to perfect the mechanism of a free and open market and, in general, to protect investors and the public interest in that it will facilitate the listing and trading of an additional type of exchange-traded fund that holds municipal bonds and that will enhance competition among market participants, to the benefit of investors and the marketplace. As noted above, the Exchange has in place surveillance procedures relating to trading in the Shares and may obtain information via ISG from other exchanges that are members of ISG or

with which the Exchange has entered into a comprehensive surveillance sharing agreement. In addition, investors will have ready access to information regarding the IIV and quotation and last sale information for the Shares.

For the above reasons, the Exchange believes that the proposed rule change is consistent with the requirements of Section 6(b)(5) of the Act.²⁶

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Act. The Exchange notes that the proposed rule change will facilitate the listing and trading of an additional type of Units based on a municipal bond index that will enhance competition among market participants, to the benefit of investors and the marketplace.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²⁷ and Rule 19b-4(f)(6) thereunder.²⁸

²⁶ 15 U.S.C. 78f(b)(5).

²⁷ 15 U.S.C. 78s(b)(3)(A).

²⁸ 17 CFR 240.19b-4(f)(6). As required under Rule 19b-4(f)(6)(iii), the Exchange provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and the text of the proposed rule change, at least five business

A proposed rule change filed pursuant to Rule 19b-4(f)(6) under the Act²⁹ normally does not become operative for 30 days after the date of its filing. However, Rule 19b-4(f)(6)(iii)³⁰ permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay so that the proposed rule change may become operative upon filing. The Exchange states that waiver of the 30-day delayed operative date is consistent with the protection of investors and the public interest because the Commission has previously approved listing and trading of Units based on indexes with similar characteristics as those of the Index.³¹ Additionally, the Exchange asserts that waiver will permit the prompt listing and trading of an additional issue of Units that principally holds municipal securities, which will enhance competition among issuers, investment advisers and other market participants with respect to listing and trading of issues of Units that hold municipal securities. The Commission believes that the proposal raises no new or novel regulatory issues and waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. The Commission therefore waives the 30-day operative delay and designates the proposed rule change to be operative upon filing.³²

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such

days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

²⁹ 17 CFR 240.19b-4(f)(6).

³⁰ 17 CFR 240.19b-4(f)(6)(iii).

³¹ See supra note 5.

³² For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-

NYSEARCA-2018-70 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NYSEARCA-2018-70. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be

available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NYSEARCA-2018-70, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³³

Eduardo A. Aleman
Assistant Secretary

³³ 17 CFR 200.30-3(a)(12).

